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Message Text

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ACTION OES-07

INFO OCT-01 EUR-12 EA-10 ISO-00 ACDA-12 CIAE-00 INR-10
IO-13 L-03 NSAE-00 EB-08 NRC-05 SOE-02 DODE-00
SS-15 SP-02 CEQ-01 SSO-00 INRE-00 NSCE-00 TRSE-00
OMB-01 /102 W
----------024635 311740Z /42 47
O 311506Z MAY 78
FM AMEMBASSY VIENNA
TO SECSTATE WASHDC IMMEDIATE 6577
INFO USDOEHQ WASHDC PRIORITY
USDOEHQ GERMANTOWN PRIORITY
AMEMBASSY BONN PRIOITY
AMEMBASSY BRUSSELS PRIORITY
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C O R R E C T E D C O P Y-(E.O., TAGS, AND SUBJECT)

USIAEA

DEPT TASS IO/SCT
DOE EOR AMMONS, IA

E.O. 11652: N/A
TAGS: AORG, ,CON, IAEA, AAIN, FR
SUBJECTT JUNE MEETING OF IAEA BOARD OF GOVERNORS
AGENCY'S BUDGET FOR 1979

REE: VIENNA 4463 (NOTAL)

SUMMARY: MISSION HAS LEARNED THAT FRENCH GOVERNOR
MAY CALL FOR VOTE IN BOARD ON FRENCH PROPOSAL TO
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PLACE 15 5ERCENT CEILING ON INCREASES IN AGENCY'S
ANNUAL BUDGETS, INCLUDING BUDGET TOR 1979. THIS
MOVE COULD HAVE SERIOUS CONSEQUENCES FOR AGENCY
PROGRAMS, PARTICULARLY FOR SAFEGUARDS, AND MISSION
RECOMMENDS DEPT TAKE UP ISSUE WITH FRENCH ASAP.
END SUMMARY.
1. SHORTLY BEFORE CONVENING OF PRE-BOARD WEO MEETING

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MAY 31, I RECEIVED WORD FROM ACTING DIRECTOR GENERAL HALL THAT FRENCH RESIDENT REPRESENTATIVE HAS BEEN CANVASSING OTHER W.E. MISSIONS SEEKING SUPPORT FOR FRENCH PROPOSAL TO IMPOSE AN ARBITRARY 15 PERCENT CEILING ON INCREASES FOR ALL FUTURE AGENCY BUDGETS, INCLUDING THAT FOR 1979 WHICH WILL BE CONSIDERED BY BOARD MEETING BEGINNING JUNE 6, AND TO CALL FOR BOARD VOTE ON THE PROPOSAL. DANISH MISSION CONFIRMED TO MISOFF THAT FRENCH HAD RAISED THIS ISSUE IN MEETING OF EC REPS EARLIER THIS SAME DAY.

2. AT WEO MEETING, FRENCH RESIDENT REPRESENTATIVE DELIVERED STATEMENT, FOLLOWED UP WITH WRITTEN NOTE, WHICH CALLED FOR LIMIT OF 15 PERCENT INCREASE OVER 1978 BUDGET; I.E., A BUDGET OF 58 MILLION FOR 1979. TO EFFECT THIS REDUCTION, FRENCH PROPOSED TO ELIMINATE AMOUNT OF 5.9 MILLION TO COMPENSATE FOR DECLINE OF DOLLAR EXCHANGE RATE, LIMIT NEW PERSONNEL TO 50 (RATHER THAN 108) ALL OF WHOM WOULD BE FOR DEPARTMENT OF SAFEGUARDS, ELIMINATION OF PNE PROGRAM, MORATORIUM ON UPGRADING OF POSITIONS, REDUCTION IN NUMBER OF MEETINGS AND ECONOMIES IN EQUIPMENT PURCHASES FOR DONAU PARK. RES REP CLOSED BY NOTING HIS GOVERNMENT'S INTENTION TO CALL FOR BOARD VOTE ON THE PROPOSAL. REPS OF FRG, ITALY, JAPAN AND BELGIUM AGREED THAT CUTS GOING BEYOND DG'S REVISED BUDGET (SEE SEPTEL) WERE LIMITED OFFICIAL USE

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NECESSARY. COMMENTS WERE UNCONSTRUCTIVE AND RATHER DISCOURAGING, CONSISTING OF VAGUE, GENERALIZED REFERENCES TO "TOO MUCH FAT" AND NECESSITY FOR "CLEARING AWAY DEAD WOOD", ETC. NONE SUGGESTED SPECIFIC AREAS ON PROGRAMS IN WHICH CUTS MIGHT RESULT IN SIGNIFICANT SAVINGS.

3. REPS OF U.S., CANADA AND AUSTRALIA DEFENDED DIRECTOR GENERAL'S REVISED BUDGET, POINTING OUT THAT WHILE WE WOULD ALL WELCOME A LOWER BUDGET, IT WAS UNREALISTIC TO DEMAND ARBITRARY LIMITS ON BUDGET INCREASES WITHOUT CONSIDERING WHAT EFFECT THIS WOULD HAVE ON SPECIFIC PROGRAMS. I NOTED THAT SAFEGUARDS BUDGET ALREADY AT MINIMAL LEVEL CONSISTENT WITH AGENCY RESPONSIBILITIES AND THAT CEILING PROPOSED WOULD MOST SERIOUSLY AFFECT SAFEGUARDS PROGRAM TO WHICH MOST OF COUNTRIES REPRESENTED AT MEETING HAD PLEDGED THEIR SUPPORT IN THE NSG GUIDELINES. IT WAS ALSO UNREALISTIC, I SAID, TO EXPECT LDC BOARD MEMBERS TOGREE TO ALLOCATE ALL NEW PERSONNEL TO SAFEGUARDS DEPARTMENT. FINALLY, I ADDED THAT CALL FOR VOTE WOULD BE MOST UNFORTUNATE IN THAT IT WOULD

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ENCOURAGE LESS RESPONSIBLE BOARD MEMBERS TO USE
VOTE PROCEDURE MORE OFTEN TO THEIR OWN ADVANTAGE
ON OTHER SUBSTANTIVE BOARD ISSUES.

4. COMMENT: IN OUR VIEW, POSITION BEING TAKEN
BY FRENCH, AND TO LESSER EXTENT BY FRG, ITALY,
JAPAN AND BELGIUM REPRESENTS SPILLOVER FROM GENEVA
GROUP (GENEVA) DISCUSSIONS THIS SPRING ON
DESIRABILITY OF IMPOSING INCREASE CEILING ON
BUDGETS OF SPECIALIZED AGENCIES. AS MISSION HAS
POINTED OUT IN THE PAST, HOWEVER, APPLICATION OF
THIS PRINCIPLE TO IAEA WOULD BE VERY HARMFUL
TO OUR INTERESTS IN IAEA AS A KEY INSTRUMENT OF
OUR NON-PROLIFERATION POLICY. AS DEPT AWARE,
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INCREASE IN AGENCY'S BUDGET IS DUE PRINCIPALLY TO

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FOUR FACTORS: ONE OF THESE IS INCREASE IN AGENCY'S SAFEGUARDS RESPONSIBILITIES; THE REMAINING THREE, DECLINE IN DOLLAR, INFLATION, AND MOVE TO DONAU PARK, ARE BEYOND ANYONE'S CONTROL. DIRECTOR GENERAL HAS ALREADY MADE CUT OF 2.1 MILLION IN HIS ORIGINALLY PROPOSED BUDGET. IN OUR JUDGMENT ANY FURTHER SIGNIFICANT CUTS CANNOT BUT JEOPARDIZE THE SAFEGUARDS PROGRAM. VIEWS OF FRENCH AND OTHERS WILL BE TROUBLESOME ENOUGH EVEN IF ONLY PLACED ON RECORD AT BOARD. CALL FOR VOTE, HOWEVER, COULD WELL RESULT IN ADOPTION OF FRENCH PROPOSAL AND SCRAPPING OF AGENCY'S PROGRAM AND BUDGET FOR 1979 AS REVISED. IN VIEW OF SERIOUSNESS OF CONSEQUENCES THEREFORE, MISSION RECOMMENDS DEPT TAKE MATTER UP SOONEST WITH FRENCH AND PERHAPS WITH OTHERS
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SHARING THEIR VIEWS. END COMMENT. KIRK

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